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8
9 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**
10 **IN AND FOR THE COUNTY OF MARICOPA**

11 STATE OF ARIZONA, *ex rel.*
12 MARK BRNOVICH, Attorney General,

13 Plaintiff,

14 v.

15 KRISTOFER AND RITA SIPPEL,
16

17 Defendants.

Case No: CV2019-008334

**CONSENT JUDGMENT WITH
KRISTOFER AND RITA SIPPEL**

(Non-classified: Public Funds Violations)

(Assigned to the Hon. James Smith)

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20 The State of Arizona, through its Attorney General, filed its Complaint in this action
21 on June 12, 2019, acting on behalf of the general welfare and economy of the State. The
22 Complaint alleges violations of A.R.S. §§ 35-196 and 35-212 et seq. by Kristofer and Rita
23 Sippel ("Sippels") as officers of San Tan Montessori School, Inc., an Arizona non-profit
24 corporation ("San Tan"), and as authorized representatives of San Tan in connection with its
25 Charter Contract dated April 8, 2008, with the Arizona State Board of Charter Schools.
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1 To resolve this matter, Sippels and the State have agreed to the entry of this Consent
2 Judgment setting forth the following findings and ordering the following relief.

3 THEREFORE, the Court finds as follows:

4 FINDINGS

5 1. The causes of action alleged in the Complaint arose within Arizona. Plaintiff is the
6 State. Sippels are residents of Arizona. Venue in Maricopa County is proper for all claims
7 pursuant to A.R.S. § 12-401(17).

8 2. This Court has jurisdiction, pursuant to A.R.S. § 35-212 *et seq.*, over the subject
9 matter of this action and over the parties stipulating to the entry of the Consent Judgment.

10 3. The Attorney General commenced an investigation into purchases and spending by
11 Sippels.

12 4. The Attorney General's investigation was conducted in accordance with and within
13 the scope of its statutory authority.

14 5. The Attorney General's investigation concludes and alleges that Sippels made
15 unlawful disbursements of public money in violation of A.R.S. § 35-196 by, among other
16 things:

17
18 a. Spending approximately \$105,000 of school funds to purchase Arizona Cardinals
19 tickets from 2008 to 2015;

20 b. Spending approximately \$15,000 of school funds to purchase Phoenix Suns
21 tickets;

22 c. Spending \$1,500 of school funds as reimbursement for Arizona Coyotes tickets;
23 and

24 d. Spending approximately \$20,000 of school funds to pay for personal health care
25 services.
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1 6. Sippels admit that these payments occurred but deny that they were illegal payments
2 of public money or were made in violation of A.R.S. § 35-196. Sippels contend the
3 purchases were lawful, were for appropriate school functions, and/ or were from available
4 non-public sources of funds.

5 7. This Consent Judgment is neither a concession by the State that its claims are not
6 well founded nor an admission of liability by Sippels.

7 8. To avoid the further expenditure of public funds in prosecuting this case, and to
8 avoid the delay, uncertainty, and expense of defending it, the State and Sippels desire to
9 resolve without trial any liability of or allegations of wrongdoing by Sippels under A.R.S. §
10 35-196 and have consented to entry of this Consent Judgment.

11 9. Based on the foregoing, upon the Complaint, and upon the Stipulation to Entry of
12 Consent Judgment annexed below, the Court finds itself fully apprised.

13 NOW THEREFORE, it is hereby ORDERED, ADJUDGED AND DECREED AS
14 FOLLOWS:

15 APPLICABILITY

16 1. San Tan, without concession of liability, acknowledge the provisions of this Consent
17 Judgment and agree to abide by ¶¶ 1-6, and 10-13. To this end, so long as this Consent
18 Judgment is in effect, the corporate board of San Tan shall be responsible for ensuring that
19 the Board and San Tan's employees act in conformity with the terms of this Consent
20 Judgment.

21 TERM OF CONSENT JUDGMENT

22 2. Unless otherwise indicated, the terms imposed by this Consent Judgment shall be in
23 full force and effect for thirty-six (36) months following its entry. Should the Attorney
24 General conclude that Sippels or San Tan, respectively, have violated any applicable term of
25 the Consent Judgment, and upon written notice to Sippels and San Tan, the applicable terms
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1 of the Consent Judgment may be extended up to one year per violation.

2 PROVISIONS

3 The following provisions of the Consent Judgment will be effective immediately
4 upon entry of the Judgment unless otherwise indicated:

5 3. San Tan, acting by and through its corporate board of directors (the "Corporate
6 Board"), its officers and employees, shall not engage in any conduct prohibited by A.R.S. §
7 35-196 or any other rules or regulations adopted by the State of Arizona, the State of
8 Arizona Department of Education, or the Arizona State Board for Charter Schools that
9 apply to Arizona charter schools.

10 4. San Tan shall make a copy of the Consent Judgment available upon request and post
11 a copy, visible to the public, of this Consent Judgment in San Tan's Administrative Office.

12 5. San Tan, in conjunction with the Attorney General's Office and the Arizona Auditor
13 General's Office, shall develop policies and procedures related to fiscal responsibility in
14 ensuring that charter school monies are utilized only for lawful purposes. San Tan shall
15 submit these policies and procedures to the Attorney General for review and approval
16 before adopting them at a public meeting of its Board prior to December 31, 2019.

17 6. San Tan shall conduct or cause to be conducted additional and ongoing training on
18 its policies and procedures required to be developed as described above related to fiscal
19 responsibility in ensuring that charter school monies are utilized only for lawful purposes,
20 also including but not limited to book and record keeping. The personnel who attend this
21 training shall include the Sippels, San Tan's Corporate Board, its Chief Financial Officer,
22 all finance department personnel, and all employees who it is reasonably expected will be
23 involved in handling or approving the receipt or disbursement of charter school monies
24 (each, a "Fiscal Employee"). These trainings shall take place at least once per year in fiscal
25 year 2020-2021 and 2021-2022, and the initial training shall take place no later than
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1 December 31, 2019. At least twenty-one (21) calendar days before each training occurs, San
2 Tan shall notify the Attorney General of the scheduled training and provide a copy of the
3 training syllabus for approval. The Attorney General shall promptly review the syllabus and
4 shall not unreasonably object to the content of the training or the persons conducting the
5 training. No later than ten (10) work days after each training, San Tan shall provide to the
6 Attorney General documentation identifying the employees or agents who participated in
7 the training. If a new Fiscal Employee is hired in a fiscal year after the training for that
8 fiscal year has occurred, such person will receive such training within 90 days of their first
9 day of work. Nothing in this Consent Judgment shall preclude San Tan from presenting
10 training online, in installments, by holding training in one or more segments, or providing
11 the training to separate groups at separate times. Nothing in this Consent Judgment shall
12 preclude San Tan from using outside legal counsel from conducting the training required in
13 this paragraph.

14 7. To ensure that proper and appropriate procedures are implemented, Sippels shall
15 procure and retain, at Sippel's expense, an independent auditor to conduct financial audits
16 of San Tan's purchasing practices under the policies and procedures developed under
17 Provisions ¶5 above related to fiscal responsibility in ensuring that charter school monies
18 are utilized only for lawful purpose (hereinafter "special financial audits or examinations")
19 to take place once each fiscal year commencing with fiscal year 2020 and continuing until
20 the end of the 2022 fiscal year. The special financial audits or examinations shall be
21 separate and independent of San Tan's audit responsibilities pursuant to Arizona law and
22 Arizona State Board for Charter School policies, and shall constitute an extensive and
23 systematic review of San Tan's purchasing practices during the prior fiscal year that fall
24 within the scope of review defined below. The independent auditor shall not be precluded
25 from serving as an auditor on separate matters. Special financial audit or examination
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1 reports and all findings and information gathered by the independent auditors or examiners
2 shall be reported to the Attorney General no later than November 15, 2021 (for the fiscal
3 year 2020-2021 special audit or examination) and November 15, 2022 (for the fiscal year
4 2021-2022 special audit or examination). Completion of these special financial audits or
5 examinations may extend beyond the term of this Consent Judgment

6 a. The auditors or examiners shall be provided a copy of the Complaint and Consent
7 Judgment and be permitted to communicate with the Attorney General regarding
8 any questions about these documents or the scope of the special financial audits
9 or examinations;

10 b. The Attorney General shall receive copies of all preliminary or draft special
11 financial audit or examination reports, as well as copies of San Tan's responses
12 and final audit or examination reports; and

13 c. The Attorney General and any designees shall be permitted to attend the exit
14 interviews for each special financial audit or examination.

15 d. The scope of the special financial audit or examination shall include but is not
16 limited to:

17 i. Review of San Tan's handling of charter school monies in compliance
18 with its policies and procedures developed pursuant to Provisions ¶5
19 above to ensure that charter school monies are utilized only for lawful
20 purposes.

21 ii. Review of San Tan's expenses to determine that it did not engage in any
22 conduct prohibited by A.R.S. § 35-196 or any other rules or regulations
23 adopted by the State of Arizona, the State of Arizona Department of
24 Education, or the Arizona State Board for Charter Schools that apply to
25 Arizona charter schools.
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1 The special financial auditor or examiner is not required to examine those matters that are
2 subject to review by the Auditor that conducts San Tan's regular audits pursuant to Arizona
3 law and Arizona State Board for Charter Schools' policies.

4 8. Sippels shall pay to the Office of the Arizona Attorney General, General Fund, the
5 sum of One-hundred Eighty Thousand Dollars (\$180,000.00), to be made in equal
6 payments, every year for three (3) years, in restitution to the State of Arizona. The first
7 payment shall be made by December 31, 2019, and each subsequent payment shall be made
8 by December 31 of each year of this Consent Judgment. This is an obligation of Sippels
9 and not San Tan.

10 9. Should Sippels fail to complete a special financial audit or examination for fiscal
11 years 2020-2021, or 2021-2022, Sippels shall pay an additional Ten Thousand Dollars
12 (\$10,000.00) to the Office of the Arizona Attorney General, General Fund, for each fiscal
13 year that a special financial audit or examination was not completed, to be paid within thirty
14 (30) days from the end of the fiscal year in which a special financial audit or examination
15 was not completed.

16 10. No later than January 1, 2020 and again on January 1, 2021, and on January 1, 2022,
17 and at other times at the request of the Attorney General, San Tan and Sippels shall submit
18 to the Attorney General a certification of compliance with the provisions of this Consent
19 Judgment.

20 11. Sippels and San Tan shall fully cooperate with the Attorney General in the
21 monitoring or enforcement of the Consent Judgment, in any ongoing investigation, or in any
22 action concerning any matter that has or may arise from any investigation by the Attorney
23 General into any acts or practices of Sippels, and shall provide access to its records and
24 submit any supplemental reports reasonably requested by the Attorney General.

25 12. The Attorney General, or any independent auditor or examiner appointed by the
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1 Attorney General, on reasonable notice to San Tan, shall be permitted, subject to the
2 reasonable convenience of San Tan and with minimal interference to San Tan's provision of
3 educational services, and without San Tan's restraint or interference:

- 4 a. Access during office hours to inspect and copy all books, ledgers, accounts,
5 correspondence, memoranda and other records, data, and documents, whether
6 paper or digital, in the possession or under the control of San Tan relating to
7 any matters raised or that could have been raised in the Complaint or in this
8 Consent Judgment ("Relevant Matters"); and
- 9 b. Access to interview Corporate Board members and employees of San Tan
10 regarding Relevant Matters. Nothing precludes San Tan from having an
11 attorney present at such an interview.

12 Determining what constitutes a Relevant Matter is in the sole and reasonable discretion of
13 the Attorney General.

14 13. Upon reasonable request of the Attorney General, Sippels and/or San Tan shall
15 submit such written reports, under oath if requested, with respect to any of the matters
16 contained in this Consent Judgment as may be identified in the request.

17 14. Nothing in this Consent Judgment shall limit the rights of the State pursuant to its
18 civil investigative authority or the Attorney General's right to contest any claim of attorney-
19 client or work-product privilege relating to any matter that has or may arise from any
20 investigation by the Attorney General into any acts or practices of Sippels.

21 RELEASE AND SETTLEMENT OF CLAIMS

22 15. The entry of this Consent Judgment constitutes a full and complete release by the
23 State and the Attorney General of Sippels and San Tan with respect to all past acts known or
24 unknown relating solely to the claims set forth in the Complaint, and the investigation of the
25 conduct by the Arizona Attorney General Special Investigations Unit that is the basis for the
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1 Complaint (the "Covered Conduct"), except as to the obligations of Sippels and San Tan
2 ordered by the Court in this Consent Judgment.

3 16. The payment and performance as provided herein shall, upon completion, constitute
4 settlement of all remaining claims the State may have against Sippels and San Tan arising
5 out of the Covered Conduct. Nothing in this Consent Judgment shall be construed to
6 release or to confer any right whatsoever on any person other than Sippels and San Tan.

7 17. Nothing in this Consent Judgment shall be construed to be a finding, admission, or
8 concession, of liability or wrongdoing on the part of Sippels or San Tan with respect to any
9 allegations in this matter or in the Complaint, and, in lieu of filing an answer, any
10 allegations of wrongdoing in the Complaint are specifically denied.

11 REMEDY ON DEFAULT

12 18. In the event the State reasonably believes Sippels or San Tan have violated any
13 applicable provision of this Consent Judgment, after giving notice to Sippels and San Tan,
14 and making reasonable efforts to meet and confer regarding any alleged violation, the State
15 may move this Court for an order finding Sippels and/or San Tan in default, upon affidavits
16 stating the factual grounds therefore. In such an event, Sippels and San Tan shall be
17 allowed to appear and be heard on reasonable notice at a hearing before the Court on the
18 allegations that Sippels and/or San Tan is in default and present evidence.

19 19. If the Court finds Sippels and/or San Tan in default, the Attorney General may seek
20 all remedies available at law or in equity.

21 20. In the event that the Attorney General finds that Sippels and/or San Tan have
22 violated any of the Consent Judgment provisions applicable to them and upon written notice
23 to Sippels and San Tan, the term of the Consent Judgment may be extended up to one year
24 per violation.

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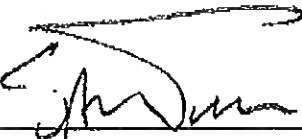
KRISTOFER AND RITA SIPPET

Date: 6/11/9

Date: 6-11-19

Date: June 13, 2019

1 Approved by the Corporate Board of San Tan Montessori School, Inc. by action taken the
2 12th day of June 2019.
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5
6 By SAM TOMLIN
7 -II- DIRECTOR
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14 Approved by Counsel for Kristofer and Rita Sippel:

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16
17 By James Belanger

18 Dated: 10 June 2019
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22 Approved by Counsel for San Tan Montessori School, Inc.:

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24
25 By William Gelm

26 Dated: June 12, 2019